

Proposal on Transmission Expansion and Pricing of the National Rural Electric Cooperative Association

NRECA's members serve load, and they are need to supply economic, reliable power to their member-customers. NRECA's perspectives on this topic are thus imbued with the load serving obligations of NRECA's members. (NRECA is a not-for-profit national service organization whose 930 not-for-profit, customer-owned rural electric cooperatives serve more than 35 million customers located in 47 different states.)

- The Commission's proposed new pricing policy -- referred to in the SMD NOPR as "participant funding" -- for transmission expansions included in a regional planning process that is conducted by an independent entity should be modified as follows:
 - If an upgrade is required to accommodate an interconnection request for a generation project intended to serve customers outside of the ITP's footprint, the party requesting the upgrade should be required to pay for the measurable, identifiable cost of network upgrades that would not be required in the absence of its request for interconnection.
 - Conversely, if the generation from a new project is committed long term to serve end-use customers within the ITP's footprint (e.g., it is designated by a Load Serving Entity ("LSE")) in the ITP's footprint that pays Access Charges as a new resource), the cost of the associated network upgrades should be rolled into the ITP's transmission revenue requirement (although transmission pricing subregions may have to be employed if the ITP's footprint is extremely large).
 - If network transmission upgrades are needed to accommodate changes in an LSE's resource designations or LSE load growth, including new delivery points for existing resources, the costs of the associated network transmission upgrades should be rolled into the ITP's overall transmission revenue requirement.
- Whatever appropriate test is employed for purposes of pricing network upgrades must be applied consistently to all transmission-owning entities in that region, and must be applied for all purposes (i.e., for the purpose of obtaining credit for placing facilities under the control of an ITP).
- While elimination of rate pancaking is an appropriate goal, the Commission should leave the issues of whether and how to use inter-regional transfers and other relatively sophisticated rate and allocation mechanisms to achieve that goal to the affected regions, ITPs and seams resolution groups, subject to Commission review and approval. Members of RTO/ITP regions should consider a transition to postage stamp pricing to recover, on a region-wide basis, the cost of at least those transmission facilities that serve a regional function.